

PUBLIC EMPLOYEES' RETIREMENT FUND
ANNUITY SAVINGS ACCOUNT ONLY PLAN

MEMBER HANDBOOK





Governor

Michael R. Pence

If you do not find the answers to your questions in this handbook, or on the Web, you can contact the PERF Call Center.

(888) 526-1687

Regular business hours are Monday through Friday, 8 a.m. to 5 p.m.

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Indianapolis, IN 46204

E-MAIL:

questions@inprs.in.gov

WEB ADDRESS:

www.inprs.in.gov

PERF also provides educational sessions across the state with Outreach Representatives who will make presentations to groups of members or employers. Check with your employer to find out if a session can be scheduled for you and your co-workers.

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Introduction

Welcome to the Public Employees' Retirement Fund (PERF) ASA Only plan Member Handbook.

You will learn about the opportunities and responsibilities of membership in the Fund, options available to you during your career in public service, and your benefits when and if you retire.

We urge you to read this handbook completely in order to understand your membership benefits. You may make photocopies of all information provided.

The best way to find the most current information is to use the INPRS Web site at www.inprs.in.gov.

You are encouraged to register for PERF Online. Using PERF Online, you can update your address, select or change your beneficiary information and change your investment allocations. On the INPRS' Web site, you can access PERF Online via the "Member Login" button in the left navigation bar or via the link in the "Online Services" box in the upper right hand corner. Once you have registered, you will receive a PIN number that you will use to log in.

The laws and regulations governing the Indiana Public Employees' Retirement Fund may be found in [Titles 5-10.2](#), [5-10.3](#), and [5-10.5](#) of the Indiana Code and [Title 35](#) of the Indiana Administrative Code.

While every attempt has been made to verify that all the information in this handbook is correct and up-to-date, INPRS does not make any representation or warranty as to the completeness or accuracy of any information provided herein. The content of this handbook does not constitute legal advice, and nothing within it should be considered a legal opinion. In the event of a discrepancy between information in this handbook and the laws of the state of Indiana, the applicable state law shall apply.

PERF ADMINISTRATION

Founded in 1945, PERF is now one of the largest pension funds in the United States – both public and private.

The Fund works with more than 1,100 participating employers across the state in serving approximately 148,000 active members, 70,380 benefit recipients, and their families. Benefits paid by the Fund come from the contributions of public employers and members, and returns on the investment portfolio.

PERF is responsible for receiving contributions from employers and members, investing those funds in a prudent manner, and paying benefits to qualifying members. Since 1996, PERF has been authorized by state law to invest the assets of the Consolidated Retirement Investment Fund (CRIF) in the stock market.

HISTORY

Effective July 1, 2011, in accordance with Indiana Law, the Indiana Public Retirement System (INPRS) is established. INPRS administers and manages the Teachers' Retirement Fund, Public Employees' Retirement Fund, the Prosecuting Attorneys' Retirement Fund,

the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System, the Judges' Retirement System and the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan. INPRS also oversees three non-retirement funds including the Pension Relief Fund, the Public Safety Officers' Special Death Benefit Fund, and the State Employees' Death Benefit Fund. Each of the current funds will remain separate and will be administered by the nine-member board of trustees of INPRS.

MISSION

We advance the achievement of retirement security for current and future retirees and beneficiaries through our delivery of operational and investment excellence, exemplary customer service and trusted stakeholder communication.

BOARD OF TRUSTEES

Appointed by the governor by July 15, 2011, the board consists of the following:

- a. one trustee with experience in economics, finance or investments,
- b. one trustee with experience in executive management or benefits administration,
- c. the director of the Office of Management and Budget, or a designee,
- d. two trustees must be nominated by the Speaker of the House of Representatives as follows:
 - i. one trustee must be an active or retired member of the 1977 Fund,
 - ii. one must be a TRF member with at least 10 years of creditable service,
- e. two trustees must be nominated by the President Pro Tempore of the Senate as follows:
 - i. one trustee must be a PERF member with at least 10 years of creditable service,
 - ii. one must be a TRF member with at least 10 years of creditable service,
- f. the state's auditor, or a designee,
- g. the state's treasurer, or a designee.

An executive director carries out the policies set by the board and administers the fund on a daily basis. ([IC 5-10.5](#))

Important Terms and Icon Legend

**Look For these
Icons in this
Handbook:**



**For forms
that are
available on
the Web site**



**For very
important
notices**

Annuity Savings Account (ASA) for ASA Only Plan – the individual account provided for each member of the ASA Only plan that is funded by a 3 percent employee fixed mandatory contribution and a variable employer contribution. These contributions are paid by the state of Indiana on the member's behalf.

Annuity Savings Account (ASA) for PERF Hybrid Plan – the individual account provided for each member of PERF that is funded by 3 percent mandatory contributions. These contributions are paid either by the member in payroll deductions or by the employer on the member's behalf. Voluntary contributions, interest and earnings may also be added to this account.

ASA Only-Covered Position – any eligible position for which the state of Indiana elects to cover and make contributions to INPRS to fund benefits.

Beneficiary – in general, the person or institution designated to receive all or part of your benefits upon your death. There are several types of beneficiaries, which are further discussed throughout this handbook.

Contributions – funds paid by employers to fund future benefits. Pre-tax contributions are paid to PERF from a source (such as wages, employer-paid contributions, rollovers) prior to the calculation of income taxes. Taxes on before-tax contributions are deferred until the funds are distributed before retirement or paid as a retirement benefit.

Employer – the state of Indiana or participating quasi-agency which employs members eligible for the ASA Only plan.

Fixed and Variable Rate Contributions (employer share) – contributions to the ASA that must be made as required by state law.

Member – a public employee enrolled in the ASA Only plan through the state of Indiana or a quasi-agency.

Public Employee – new hires with the state of Indiana. Employees of private companies are not eligible for membership.

Survivor Beneficiary – the person receiving a designated percentage of your benefits upon your death. Several types of survivor beneficiaries are further discussed throughout this handbook.

Vesting/Vested – the minimum amount of time you have to work (full years of participation) in one or more covered positions to receive a portion of the variable annual rate contributions (employer share) and earnings of the ASA Only plan.

Voluntary Contributions – contributions made to the ASA that a member may choose to make through payroll deductions if his or her employer participates in the program.

Years of Participation – each full year of employment in a PERF-covered position. Years of participation help in determining your qualification for vesting.

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ANNUITY SAVINGS ACCOUNT (ASA)

There are two types of contributions within the ASA Only plan – a 3 percent fixed rate and a variable rate. Both are paid by the employer. Your employer also pays a percentage of payroll to fund defined benefit pension plan liabilities. This is true regardless of which PERF option (ASA Only or Hybrid) you select. These funds are not paid into members' Annuity Savings Accounts in either the ASA Only or Hybrid plans. ***These funds are not available for your investment or withdrawal.***

Members must meet vesting requirements (full years of participation) to qualify for a full distribution of the variable rate contributions and earnings.

Fixed and Variable Contributions

State law requires that 3 percent of your gross wages must be contributed to fund the ASA Only. There is also an employer contribution subaccount which receives a variable rate determined by the board of trustees. In order to receive contributions and earnings from this subaccount, you must meet the vesting requirements below:

NOTE:
You will not receive credit for partial years of participation.

Vesting schedule is as follows:

One year of participation = 20 percent
Two years of participation = 40 percent
Three years of participation = 60 percent
Four years of participation = 80 percent
Five years of participation = 100 percent

As a new employee of the state of Indiana or a quasi-governmental agency, the 3 percent is paid by your employer before taxes are calculated on your wages.

If you are not vested at the time of distribution, the non-taxable benefit will be paid directly to you in a lump sum or you can elect to roll over the non-taxable amount in some cases. If you are vested at the time of distribution, IRS regulations mandate that your non-taxable benefit must be recovered over the life an annuity. A portion of each payment will be non-taxable until your entire post-tax voluntary contribution amount has been recovered.

Voluntary Contributions

You may also be able to make additional contributions to your ASA if your employer's governing body has decided, by resolution, to allow payroll deductions for this purpose. The employer can make this decision at any time, and may choose to stop payroll deductions at any time. Voluntary contributions to the ASA must be made through your employer through a payroll deduction. The maximum for all types of voluntary contributions is ten percent (10%) of gross wages in addition to the three percent (3%) mandatory contribution.

Post-Tax Voluntary Contributions

When you make post-tax voluntary contributions, federal, state and Social Security taxes have already been withheld. Your take home pay would be reduced by the total amount contributed. Since these funds have already been taxed, they will not be taxed again; however, it is important to note that any earnings or interest accrued on these funds are still taxable.

If you are not vested at the time of distribution, the non-taxable benefit will be paid directly to you in a lump sum or you can elect to roll over the non-taxable amount in some cases. If you are vested at the time of distribution, IRS regulations mandate that your non-taxable benefit must be recovered over the life of the pension.

A portion of each monthly pension payment will be non-taxable until your entire post-tax voluntary contribution amount has been recovered.

For you to make post-tax voluntary contributions, your employer must simply agree to deduct the amount requested (up to ten percent [10%]). That money is then sent to PERF as a contribution to your ASA. You may choose to stop making post-tax voluntary contributions or change the amount deducted at any time.

Pre-Tax Voluntary Contributions

The Internal Revenue Service has given its approval for the Public Employees' Retirement Fund to accept voluntary contributions on a pre-tax basis, as well.

You are urged to carefully consider all the conditions and consequences of pre-tax contributions because making changes later is severely restricted.



The conditions that apply to pre-tax contributions include:

- Your employer must have elected to participate in this program.
- You must have five years of creditable service in PERF.
- The maximum for all types of voluntary contributions is ten percent (10%) of gross wages in addition to the three percent (3%) mandatory contribution.
- You must choose to make a voluntary pre-tax contribution of not more than ten percent (10%) of your gross wages within two (2) years following the date of August 31st after you have reached five (5) years of PERF-covered service.
- The percentage of each pay period's wages that you choose to contribute pre-tax CANNOT be changed as long as you work for the same employer in any PERF-covered position.
- If you leave employment and return to the same employer, your pre-tax contribution must be reinstated.
- If you work for a different PERF employer, and have not taken an ASA distribution, you will be able to make a new pre-tax contribution decision, if your new employer has elected to participate.
- Your employer could choose to discontinue pre-tax contributions, which would allow you to discontinue making them.

Further details on this option are available on the INPRS Web site at www.in.gov/inprs.

You can only withdraw funds from your ASA Only as a distribution when you separate from covered employment for at least 30 days or at retirement. If you are no longer in a PERF- or TRF-covered position but are still employed with the same employer, you are not eligible to take a distribution until you have a bonafide separation from service with your employer. Employment on a part-time basis is not considered separation from employment. YOU CANNOT TAKE A LOAN AGAINST YOUR ASA. You must fully separate from your employer in order to withdraw your funds.



Self-Directed Investment Options

The ASA Only plan allows members to actively participate in managing their retirement benefits through self-directed investment options. The 3 percent fixed and variable contributions (employer share) to your account are invested as a combined total according to your choices in one or more of the eight options available through PERF:

1. Money Market Fund
2. Fixed Income Fund
3. Large Cap Equity Index Fund
4. Small/Mid Cap Equity Fund
5. International Equity Fund
6. Inflation-Linked Fixed Income Fund
7. Stable Value Fund
8. Target Date Funds

You may choose among these options after you elect in the plan.

You may also log in to your [PERF Online](#) account to complete your investment direction election, or call (888) 526-1687 Monday through Friday from 8 a.m. to 8 p.m. EST, except holidays and weekends, to complete your request via phone with a customer service representative.



If you do not submit these choices to PERF, all ASA contributions will automatically be invested in a target date fund based on the year you will turn 65.

All contributions will initially go to a target date fund until you elect the ASA Only plan or default to the PERF Hybrid Plan. You will be able to view daily valuations of your ASA Only contributions and make daily changes to your investment allocations.

You can invest a portion of your account (present balance and future contributions) into any or all of the investment funds in at least one-percent increments. Or, you can invest your current contributions and new contributions separately. This means you can direct both current and future contributions or leave current balances as they are and direct future contributions only.

Quarterly Member Statements

Statements are available electronically on PERF Online. You can view your statements as long as you have money invested in your ASA – even if you are no longer employed in an ASA Only-covered position. Members who prefer a paper statement can register online for a mailed statement.

The quarterly statement shows contributions made and any change in value to your holdings. As an ASA Only member, the employer picks up the 3 percent mandatory

contributions, which are before-tax contributions. The earnings on the contributions are tax-deferred until you take them out. Tax obligations apply when payment is made to you as a retirement benefit or an ASA distribution.

Rollover Savings Accounts (RSAs) into PERF

You can deposit taxable or non-taxable funds rolled over from any of the following:

- A qualified plan described in IRS Section 401(a), 403 (a), 401(k), an annuity contract or account described in Section 403(b).
- An eligible plan maintained by a state or political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under IRS Section 457(b).
- A Traditional Individual Retirement Account (IRA) described in IRS Section 408(a) or 408(b).
- A traditional or conduit IRA

INPRS must maintain separate rollover accounts for members who have rollover accounts in both the PERF Hybrid plan and the ASA Only plan. The rollover accounts may only be combined if a member rolls one account into the other.

You may change investment elections with every rollover. You also maintain the right to transfer or allocate rollover balances.

You may request investment election changes when speaking with a customer service representative (CSR) or via the Web. Confirmation statements will be sent to you when you initiate an investment election change via the Web or with a CSR.

You may have separate investment elections for both the plan and rollovers. Elections can be made via the rollover contribution form. Voluntary distributions for rollover withdrawals require 100 percent of the available amount to be withdrawn.

These RSA funds may be invested in any of the current investment options. They may be withdrawn at any time prior to retirement. At retirement, these funds may be combined with your ASA Only as part of your total benefit.

Per IRS guidelines, rollover contributions should be completed by the 60th day after the day you receive the distribution from your traditional IRA or employer's plan. The IRS may waive the 60-day requirement where the failure to do so would be against equity or good conscience, such as in the event of a casualty disaster*, or other event beyond your reasonable control. In the absence of a waiver, amounts not rolled over within the 60-day period do not qualify for tax-free rollover treatment. Checks must be received five business days prior to the 60-day limit. Please consult your tax professional if you have questions.

Benefit Structure

**Casualty disaster – a loss that can result from damage, destruction or loss of your property from any sudden, unexpected or unusual event as a flood, hurricane, tornado, fire, earthquake or volcanic eruption. A casualty does not include normal wear and tear or progressive deterioration.*

PARTICIPATING IN THE PLAN

Membership Eligibility

As a first-time, full-time employee of the state of Indiana, you are eligible for membership in the ASA Only plan. Your plan election must be made in writing, must be filed with the board on a board-prescribed form, **and is irrevocable**.

Or, you may elect to become a member of the PERF Hybrid plan which offers the PERF defined benefit pension (a monthly benefit for life) and ASA. If you do not elect to become a member of the ASA Only plan within 60 days of your hire date, you become a member of the PERF Hybrid plan.

You could have been enrolled in any of the seven funds with a previous employer prior to state of Indiana employment. If you previously worked for the state of Indiana in a position covered by PERF, you are not eligible for the ASA Only plan. However, if you are a first-time, full-time state of Indiana employee who elects the ASA Only plan and then leaves state employment and returns, you must resume membership in the plan.

For a position to be ASA Only-covered, making you eligible for membership, the position must be:

- Full time, and you must be a first time state of Indiana employee,
- Determined by your employer as a position covered by PERF
- Not covered by another public retirement or pension plan (except Social Security or the Prosecuting Attorneys' Retirement Fund, established by [IC 33-39-7-9](#))
- There are some statutory exclusions for membership in the plan, as laid out in [IC 5-10.3-7](#)

Register for PERF Online to make changes to your account information more quickly and easily

Enrollment

When you begin working in an ASA Only-covered position, your employer will complete a Membership Record informing INPRS that you have become employed in a covered position and will begin participation in the ASA Only plan or PERF Hybrid plan. You will have a 60-day window to elect a plan choice. If you do not make an election within this timeframe, you will automatically default in to the PERF Hybrid plan. You will receive a letter in the mail confirming your plan election.

INPRS will open an ASA Only account in your name and you will formally become a member. You will receive a welcome packet detailing your membership information. The packet will include a PIN number with instructions on how to access your online account (PERF Online) in order to make an election. A passcode will also be mailed to you. PERF Online will allow you to designate beneficiaries, update your address, and make fund allocations for your contributions. If you do not make contribution allocations, your contributions will default to a target date fund based on your estimated year of retirement.

Naming Beneficiaries

You immediately begin saving for your retirement when you become a member. After enrollment, you may name a beneficiary to receive the assets remaining in your account after you pass away. You may name one or more individuals, such as a spouse or dependents, a trust, estate, or other legal entity, such as a charity. If you designate more than one primary or contingent beneficiary for your account, benefit shares may be allocated in percentage increments.

If there is no beneficiary on file, benefits will be paid to individuals listed in the first category in which there are survivors:

- Surviving spouse
- Surviving dependents, if no surviving spouse
- Your estate, if no surviving spouse or child

Changing Your Personal Information

As long as you have assets with the fund, it is critical that you keep INPRS informed of any changes to your name, address or beneficiaries. You can most easily update your address and beneficiary information by visiting www.inprs.in.gov and registering for PERF Online. Changing your name, address or beneficiaries with your employer will not update that information with INPRS. You will need to contact INPRS separately to update your personal information.

Beneficiaries – You may change the beneficiary of your account at any time before you take a distribution. You may do so by registering for PERF Online. Use the View or Change Beneficiary function or request the appropriate paperwork by phone or fill out the form and mail it back to INPRS.

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The importance of reporting any change of beneficiary cannot be overemphasized. Failure to make changes could result in payment being made to a named beneficiary who is no longer your choice to receive it.

Address/Name – The address on file in INPRS' records is the only contact information we have for you. If you leave ASA Only-covered employment, you may be eligible to receive a distribution of your account. Therefore, report any change of address directly to INPRS in a document that includes the following:

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- ***Social Security number,***
- ***Previous name and/or address,***
- ***New name and/or address, and***
- ***Printed name and signature.***
- ***Employer's name should also be included.***

A change of address can be easily submitted via PERF Online once a member has registered. Change of name requests must be submitted only in writing and accompanied by the appropriate legal documentation such as a court order, divorce decree, or marriage license.

Life Events

Divorce

Indiana law prevents assigning PERF fund benefits. Accordingly, INPRS cannot honor any divorce decree which requires it to pay anyone other than you or your named beneficiary. In order to be consistent with the laws governing the PERF fund, and in order to satisfy Indiana's domestic relations laws, divorce decrees should order you (or your legal beneficiary) to make payments to an ex-spouse rather than ordering INPRS to make such payments. In addition, Indiana law prohibits INPRS from garnishing your benefit for child support payments.

Qualified Domestic Relations Orders (QDRO's)

Under state law, benefits in the ASA Only plan are exempt from any legal process. QDRO's do not apply to INPRS. Even though they are the product of federal legislation, which normally supersedes state law, they do not apply to INPRS since it is a governmental plan exempt from the QDRO requirements.

Holds on member accounts

Indiana law allows various holds to be placed on a member's account due to such things as tax levy or embezzlement. These holds affect if, and when, a member can take a distribution. For more information, contact INPRS.

VESTED STATUS/CREDIT FOR YEARS OF PARTICIPATION

Vested status in the plan is based on full years of participation. You are always 100 percent vested in the fixed 3 percent and any rollover contributions you make. However, vesting in the value of variable rate contributions (employer share) varies by length of participation.

Vesting schedule is as follows:

One year of participation = 20 percent

Two years of participation = 40 percent

Three years of participation = 60 percent

Four years of participation = 80 percent

Five years of participation = 100 percent

Only full years of participation count toward vesting in the variable rate (employer share) portion. For example, if you work four years and 10 months you would receive 80 percent of the variable rate (employer share) portion. One hundred percent vesting occurs at termination for normal retirement (age 62 + five years of service) and death of a member in the line of duty.

You do not have to work for the same employer and job in order to reach vested status. A total of five years in any combination of ASA Only-covered employment for which an employer makes contributions qualifies as years of participation for vesting purposes.

You become 100 percent vested in the variable rate contributions (employer share) and earnings of the ASA Only plan after five full years of participation.

In addition, you may be entitled to receive credit during military service and certain types of leave.

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RECEIVING BENEFITS BEFORE RETIRING

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TERMINATED/INACTIVE MEMBERS

If you take a distribution of your ASA Only account when you leave employment, the non-vested portion of your variable rate (employer share) account will be forfeited. Prior service will be reinstated to your account if you return to ASA Only-covered employment. Forfeitures of non-vested monies are not reinstated to your account even if you return to ASA Only-covered employment.

You are considered inactive if you are no longer working in an ASA Only-covered position. You are considered suspended if you are inactive, your account has not received contributions for 20 years or more and you are at least 63 years of age. We will verify your address in order to make a distribution to you from your account. If you or your beneficiary are not located, the money in your account shall be credited to INPRS until you or your beneficiary claims the money. There will be no further interest credits or earnings after the money is transferred to INPRS.

Leaving ASA Only-covered employment requires you to make important decisions regarding your retirement savings. This section explains the issues you will need to consider if you leave a covered position and separate from service.

WITHDRAWING YOUR ANNUITY SAVINGS ACCOUNT (ASA)

You may withdraw the balance of your account (in the form of a distribution or rollover to another qualified retirement plan) if you are no longer in an ASA Only-covered position. A 30-day separation period is required.

These withdrawal amounts consist of:

- *The 3 percent annual fixed contributions;*
- *Rollovers; and*
- *All interest and earnings credited to your account.*
- *Vested percent of variable contribution (employer share)*

PAYMENT OPTIONS

When you apply for an ASA distribution, you must choose how to receive the payment. You must select one payment option for the taxable portion and one payment option for the non-taxable portion.



Members who elect to withdraw their ASAs at retirement will remain invested according to their pre-retirement investment allocations until their ASA is paid out at the time INPRS processes their retirement.

The tax status of your mandatory ASA contributions depends on whether or not taxes were withheld on them before the contributions were made to PERF. The employer-paid portion of the mandatory contributions are before-tax. Portions deducted from a member's wages after taxes are deducted after-tax.

Members may elect a distribution at any time. Distribution requests may be made via the Web or by calling INPRS' customer service center at (888) 526-1687. Requests received before 4 p.m. EST will be processed the same day. Checks will be issued and mailed within three to five business days.

Taxable Portion - Direct Rollover

You may elect to have all or part of the taxable portion of your ASA paid in the form of a direct rollover into an eligible 401(a), 403(b) or governmental 457(b) plan, or Traditional or Roth IRA, which has provisions allowing it to accept the rollover on your behalf.

Except in the case of a Roth IRA, this option defers any taxes you owe on your ASA balance.

If you choose to roll over only part of the taxable amount, the portion not rolled over is paid directly to you (less the mandatory 20 percent withholding for federal income tax).

Taxable Portion - Paid Directly to the Member

You may elect to have the total amount of the taxable portion of your ASA (less the mandatory 20 percent withholding for federal income tax) paid directly to you.

Non-Taxable Portion - Direct Rollover

You may elect to have all or part of the non-taxable portion of your ASA paid to up to two financial institutions in the form of a direct rollover into an eligible qualified plan, 403(b) plan, or Traditional or Roth IRA, which has provisions allowing it to accept the rollover on your behalf. If you choose to roll over only part of the non-taxable amount, the portion not rolled over is paid directly to you.

Non-Taxable Portion - Paid Directly to the Member

You may elect to have the total amount of the non-taxable portion of your ASA paid directly to you.

You will receive a 1099-R postmarked by January 31 of the year after you receive your distribution. By law, this is the latest date 1099-Rs can be mailed.

INPRS will withhold 20 percent from your distribution of the before-tax portion paid to you or to your surviving spouse. Adjustments may be made for payments made to survivors under special circumstances. State taxes will be withheld if required by the state.

If you choose to take a rollover distribution and do not complete the rollover by the 60th day following the day on which you receive the distribution, your distribution may be subject to taxes and/or penalties unless you qualify for a waiver. Please consult your tax professional for waiver qualifications.

Tax Penalty – Early Withdrawal of ASA

You may be subject to an additional 10 percent federal tax penalty on your ASA if you have not reached the age of 59½ at the time of your distribution.

DEATH OF A MEMBER

When a member dies, INPRS must be notified in order to make payments to the appropriate beneficiaries in a timely manner. INPRS needs a copy of the death certificate in order to

Receiving Benefits Before Retiring

process any distributions of ASA Only balances to beneficiaries or survivors that might be available. Employers may inform INPRS of a member's death; however, the death certificate is still required. Employers do not always provide member death notification.

The ASA Only payment will be distributed to the beneficiary or beneficiaries on file at the time of death.

If you list more than one primary beneficiary and one or more of them die before you, the remaining primary beneficiaries will receive amounts proportionate to the deceased beneficiary's share upon your death.

John lists three beneficiaries and the percentages he wants them to receive:

Ann – 60 percent

Bob – 30 percent

Carl – 10 percent

Ann dies before John.

John forgets to fill out a new beneficiary form and dies with \$10,000 in his ASA account. Because Ann is deceased, Bob and Carl will now split the \$10,000 only two ways.

How John chose to divide a deceased member's portion - either prorated or equally - will determine surviving beneficiary amounts for Bob and Carl.

If John chose prorated:

Bob's original percentage was 30 percent. Carl's was 10 percent. That is a 3 to 1 ratio.

Bob will receive three times the amount or 75 percent (\$7,500).

Carl will receive 25 percent (\$2,500).

If John chose equally:

Bob will get his 30 percent (\$3,000) plus half of Ann's (\$3,000) or \$6,000.

Carl will get his 10 percent (\$1,000) plus the other half of Ann's (\$3,000) or \$4,000.

To prevent this, make sure you review and update your beneficiary choices regularly.

If you call with information about a member's death, please leave your name, relationship to the member, and telephone number, as we may need to contact you for further information. A death can also be reported by simply sending the death certificate to INPRS by mail or fax.

BENEFICIARY OR SURVIVOR BENEFITS

If you die while in service, but not in the line of duty, or after terminating employment but before withdrawing your account balance, the account will be paid to the listed beneficiary(ies). The beneficiary(ies) will receive your ASA balance which includes the fixed 3 percent contributions, any rollover savings account contributions and the vested portion of the variable rate contributions (employer share). The beneficiary may elect to have the account paid as a:

- lump sum
- direct rollover to another eligible retirement plan or
- an annuity if the account balance is at least \$15,000 and the beneficiary or spouse is at least 62 years old.

If you do not list any beneficiary(ies), or if the beneficiary(ies) don't survive you, the account will be paid to your surviving spouse, dependents or estate. The beneficiary or survivor may elect to have your account paid as a lump sum, a direct rollover to another eligible retirement plan, or as a monthly annuity.

If you die in the line of duty, your listed beneficiary(ies) will receive your entire account balance which includes: fixed 3 percent contributions, any rollover savings account contributions, and the entire balance of the variable rate contributions (employer share). The beneficiary or survivor may elect to have the account paid as a lump sum, a direct rollover to another eligible retirement plan, or as a monthly annuity if the account balance is at least \$15,000 and the beneficiary or spouse is at least 62 years old.

If you die in the line of duty while in service but are not fully vested in the variable rate contributions (employer share), the account is deemed fully vested. That means the beneficiary or survivor will receive 100 percent of all amounts in your account.

If you meet the conditions listed above and you have been married for at least two years before your death, then your spouse qualifies for a survivor benefit. If there is no eligible surviving spouse, your survivor benefit is divided between all surviving dependents who are younger than 18 (or older if the dependent[s] is permanently disabled). If you have neither an eligible surviving spouse nor surviving dependents, then no survivor benefit will be paid.

Beneficiary payments or surviving spouse

The beneficiary of a deceased member will receive a lump sum payout of the account. Spousal beneficiaries may annuitize the ASA. The member's ASA balance must be at least \$15,000 including rollovers in order to annuitize the ASA and be paid the Rollover Savings Account (RSA) balance. A beneficiary may elect to have the withdrawal paid in a lump sum, direct rollover to an eligible retirement plan or as a monthly annuity on or after the beneficiary or survivor attains 62 years of age.

Separate elections for ASA and RSA balances may be made. A survivor may receive a lump sum payment for the RSA and annuitize the ASA.

Failure to inform PERF of beneficiary changes could result in payment being made to a previously named beneficiary who is no longer your choice to receive your ASA Only balance upon your death. The Application for Change of Beneficiary is available online at <http://www.in.gov/inprs/perfmbforms.htm>. For beneficiary changes, please complete the form and mail or fax to INPRS, or make the change via PERF Online.

DISABILITY BENEFITS

There is no minimum amount of service required to receive disability benefits from INPRS. If you become disabled, you can withdraw the 3 percent fixed contributions paid by the state

Receiving Benefits Before Retiring

NOTICE:
INPRS CANNOT
process your
disability
application without
a copy of your
Social Security
award letter with the
onset date.

of Indiana. You continue to accrue service credit even though you are on disability but not separated from service.

For example, you work for eight months, become disabled and receive disability for four years. After that time, you are no longer considered disabled. If you do not return to work for your employer, you can withdraw 80 percent of the employer contributions because you had eight months of service credit and accrued four years of service while on disability.

If you become disabled, INPRS will provide disability benefits to you if:

- You are determined by the Social Security Administration (SSA) to be disabled, and are receiving salary or employer-provided income protection benefits, or are on leave under the FMLA as of the onset date established by the SSA.
- Timing of the disability onset date as established by the SSA before termination of the employer/employee relationship is critical. Please contact INPRS if you have any questions about establishing eligibility for disability benefits.

To the extent that the member is vested, the member may elect to have a withdrawal paid as a lump sum, a direct rollover to an eligible retirement plan or as a monthly annuity if the account balance is at least \$15,000.

Disability Withdrawals

You may request a distribution online or speak to a Customer Service Representative if you have met the Social Security disability requirement.

Members who are disabled or members with a rollover account balance are eligible for withdrawals:

- Disability withdrawal – paid in a lump sum, a direct rollover to another eligible plan or as a monthly annuity
- Rollover distribution – paid in a lump sum, a direct rollover, or a monthly annuity at normal retirement age (age 62 + five years of service)

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All voluntary distributions for disability and rollover withdrawals require 100 percent of the available amount to be withdrawn.

If you meet age, service and minimum balance requirements, you must submit your elections using the PERF Retirement Application. You can access the retirement application online at www.inprs.in.gov or by calling INPRS at (888) 526-1687.

Disability withdrawals require 100 percent of the available amount to be withdrawn.

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DIRECT DEPOSIT

Direct deposit is the preferred method to distribute monthly benefit payments. Your money cannot be late, lost, or stolen. If you change banks, contact INPRS for instructions. You may also start again at a new bank by completing a direct deposit form.

This section of the handbook explains the issues a member applying for retirement will confront, including the normal and early retirement benefits available to members, annuitization and the selection of the ASA payment options. Working after retirement and other issues related to being a retired member are covered in Section Four.

SEPARATION FROM SERVICE

If a member of the ASA Only plan separates from state employment and later returns to state employment in a position covered by the ASA Only plan, the member is entitled to receive credit for the member's years of participation in the plan before separation. Annual variable (employer share) contribution amounts forfeited by the employee may not be restored to the member's account upon rehire.

New employees who elect the ASA Only plan and then rehire or return to state employment must resume membership in the plan, not the fund (PERF Hybrid plan).

Non-vested members (less than one year of participation)

Terminated members with less than one year of participation in the ASA Only plan whose account balances are \$1,000 or less cannot defer their account balances. If no distribution election is requested within two years following the last day in pay, balances are automatically paid to you. Payment is made in a lump sum directly to you excluding 20 percent federal income tax withholding and state and local taxes.

Account Balances

If your account balance is more than \$1,000 (\$1000.01 or more) and you do not request a distribution, payment will be deferred until March of the year following the time you are 70½. At that time, a Required Minimum Distribution (RMD) will be processed. Rules pertaining to RMDs take precedence over any of the automatic cashout or rules regarding suspension.

Vested members (have one or more years of participation)

If your vested account balance is less than \$1,000 and you have more than one year of participation, the account will follow the 20-year suspendable account process.

If you have more than \$1,000 or more than one year of service, your account balance will remain in the ASA Only plan. This is applicable until you elect a final distribution, partial withdrawal, or a minimum distribution payment is required. Or, your account balance falls below the required minimum balance to remain in the plan.

Your distribution options = with vested balances include: a lump sum (with or without a rollover), direct rollover to another eligible plan, or a monthly annuity if you are age 62 with five years of participation and have an account balance of at least \$15,000.

Calculating Your Plan Benefits

Vested Status

Full vesting of 100 percent occurs at termination for normal retirement age (age 62 + five years of participation) and death of a member in the line of duty.

Vesting schedule:

- One year = 20 percent
- Two years = 40 percent
- Three years = 60 percent
- Four years = 80 percent
- Five years = 100 percent

Years of Participation

All credit for years of participation is subject to final certification at retirement.

Retirement Date

Your last day in pay status is generally the date most people think of as the day they “retire.” INPRS uses an “effective date” for retirement. The effective date of your retirement can be no earlier than the first day of the month following your last day in pay status.

EXAMPLE:

Your last day in pay status is Aug. 2.

Your effective date of retirement is Sept. 1.

ANNUITY SAVINGS ACCOUNT (ASA) PAYMENT METHODS

If you have met age and years of participation requirements and have at least \$15,000 in your ASA Only account balance, you may annuitize your ASA. Your rollover account may be used in the calculation of the minimum account balance. That is, you may take this money as a lifetime monthly annuity payment. You can also choose to receive a distribution of the ASA funds when you retire from PERF or defer distribution to a later date.

If you elect to withdraw your ASA at retirement, the balance will remain invested based on your pre-retirement investment allocations until INPRS processes your distribution.

If you decide to annuitize your ASA, the balance will be placed into a fixed value account. This happens no more than 30 days prior to processing your retirement application or your retirement date.

Any trailing contributions and amounts remaining in your account following any cancellation of the annuity will be moved to the PERF Money Market Fund. You may also reallocate your money to any of the available investment options under the plan.

Taxation on the ASA

The decision of how to receive the distribution of your ASA can have significant tax implications, and we urge you to consult with a tax advisor. Customer service representatives can explain options to you, but cannot offer tax advice. The information below is included to aid you and your advisors with federal tax provisions as they apply to PERF benefits.

Any contributions to your ASA made with after-tax dollars are considered "tax basis" because you have already paid taxes on those dollars. Mandatory contributions paid by your employer were not taxed at the time they were paid. Therefore, they do not create "tax basis". Upon retirement, any after-tax contribution (your tax basis) is reported by PERF as non-taxable on the IRS Form 1099-R issued to retired members and the IRS. However, it is important to note that your tax basis is recoverable under very specific IRS rules.

You can elect to receive a lump sum distribution of your ASA Only. However, the entire tax basis is recovered in total since there is no recurring payment. If it is a partial lump sum and partial annuity, the basis will be split between the two, and the annuity recovery will be based on your age. If you annuitize your ASA Only, the basis allocated to the monthly annuity payment is divided up and recovered over a mandatory number of monthly payments, as determined by applicable IRS regulations. Therefore, a portion of each monthly benefit paid to you is non-taxable, for as long as basis remains.

If contributions are received after the member has requested a final distribution and the total account balance has been paid, the contribution is accepted and another distribution is paid using the previous distribution instructions. If a member was paid a disbursement in error, INPRS will work to restore the money if the member subsequently returns to work.

This division of the basis is required because the IRS has issued a letter ruling to PERF concluding that the ASA and monthly annuity payment payable to you do not constitute separate accounts. The consequence of this ruling is that, upon retirement, basis from contributions to the ASA must be partially allocated to your monthly annuity payment, as we have described above. One exception to this basis allocation rule is also relevant: a special provision of federal tax law permits you to immediately recover any tax basis that you may have had in your ASA on Dec. 31, 1986. The post-1986 basis, however, must be allocated to your monthly annuity payment.

Leave Your ASA Invested: Upon separation from service, you may choose to leave your ASA invested with PERF. However, based on IRS regulations, you must begin distribution at age 70 1/2. Until you elect to receive your funds, they will remain invested according to your directions.

Withdraw Entire ASA: If you decide to withdraw your entire ASA, you must choose a direct rollover, have it paid directly to you, or partial rollover to a qualified plan for the Taxable Portion of your ASA. Please consider the tax consequences you may face if you choose a complete withdrawal of the Taxable Portion of your account.

TAX WITHHOLDING

INPRS is required by law to withhold 20 percent for federal income taxes for any part of the eligible rollover distribution that is not directly rolled over. You will have to pay federal and state income taxes on this taxable portion.

APPLYING FOR RETIREMENT DISTRIBUTION

When you are ready to apply for retirement benefits, visit www.inprs.in.gov and select Member Login to access your PERF Online account. Submitting your application online is quick and easy. You may also download a copy of the application from our Web site at

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http://www.in.gov/inprs/files/SF00945_PERF_Package.pdf.

TAX FORMS AND WITHHOLDING

Each year, INPRS mails 1099-R forms to all benefit recipients by Jan. 31. The 1099-R form, which is much like a W2 form, lists the total amount of benefits received during the year. It also shows the taxable and non-taxable amounts. INPRS can also withhold Indiana and Federal taxes. County taxes may be withheld if you withhold state taxes. If you did not complete tax withholding forms at the time of your retirement, you may do so at any time.

INPRS can withhold federal tax based upon your marital status and the number of exemptions claimed. Please note: you must enter a withholding election (married with three exemptions, single, etc.) before electing an additional flat, whole dollar amount. You may go online to download the forms, call, or write to request them.

DIRECT DEPOSIT

Direct deposit is the preferred method to distribute monthly benefit payments. Your money cannot be late, lost, or stolen. If you change banks, contact INPRS for instructions. You may also start again at a new bank by completing a direct deposit form.



If you change account numbers with the same bank, or if you change banks, contact INPRS. Do NOT close your old account until you know funds are being deposited into your new account. It may take up to 60 days for the change to take effect.

DEATH OF A MEMBER

Upon your death, INPRS must be notified so payments can be made to the appropriate beneficiary or survivor. INPRS needs a copy of the death certificate, including name, Social Security number and date of death. The family may keep the check received in the month of death, but must return any subsequent payments to INPRS. This is applicable only if a monthly annuity is being received.



A copy of the death certificate should be mailed or faxed to INPRS. Beneficiary or survivor should include name, relationship to the deceased and a telephone number, as we may need to contact him or her for further information.

Surviving Beneficiary

Once INPRS has verified date of death, the surviving beneficiary will be notified of any necessary action that may be needed on his or her part in order to start receiving a benefit. ***For this reason it is very important that you keep INPRS informed of your beneficiary's current address.***

Declining or Passing Through a Benefit

Indiana law allows a beneficiary to decline a bequest if he or she feels it is in his or her best interest to do so. The law also determines how the bequest will be handled if the beneficiary

declines it. For more specific information on your situation, please contact INPRS directly.

CHANGING YOUR BENEFICIARY AFTER RETIREMENT

Once you have named a beneficiary or beneficiaries on your Retirement Application and processing is completed, you can change that designation only in limited circumstances.



Members may change their beneficiary or form of benefit after retirement due to divorce unless it is prohibited in the divorce decree or property settlement agreement. This event has been added to the limited number of circumstances under which a beneficiary may be changed after retirement.

WORKING AFTER RETIREMENT

After you retire, you are entitled to go back to work and continue receiving ASA Only benefits. An ASA Only member's application for retirement benefits is void if the member has an agreement, formal or informal, prior to his or her retirement, with a covered employer to become re-employed in a covered position. Your effective retirement date is the first day of the month for which you were paid retirement benefits. There is no earnings limitation for members who choose to return to work in an ASA Only-covered position after retirement.

Members who have retired from another Indiana public pension fund (such as the 1977 Police Officers' and Firefighters' Pension & Disability Fund) must also meet this 30-day separation from service requirement before taking an ASA Only-covered position with the same employer.





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